

Sabine Parish Sales and Use Tax Commission

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2013



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Eugene W. Fremaux II

Certified Public Accountant

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
DECEMBER 31, 2013

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
STATEMENT OF FIDUCIARY NET POSITION.....	5
NOTES TO FINANCIAL STATEMENTS	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	10
SCHEDULE OF FINDINGS	12

Eugene W. Fremaux II

Certified Public Accountant

P. O. Box 134 270 Marthaville Road

Many, Louisiana 71449

318-256-0332

FAX 318-256-0389

fremauxe@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Sabine Parish Sales and
Use Tax Commission
Many, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Sabine Parish Sales and Use Tax Commission, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Sabine Parish Sales and Use Tax Commission as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine Parish Sales and Use Tax Commission's basic financial statements. The accompanying other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2014, on our consideration of Sabine Parish Sales and Use Tax Commission's internal control over financial reporting and our tests on its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



EUGENE W. FREMAUX II, CPA
June 27, 2014

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

This section of the Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ended December 31, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Commission's tax collections in 2013 decreased by 28% (\$7,533,078) to \$18,995,775, over collections in 2012 due primarily to a decrease in natural gas exploration and development activity in Northwest Louisiana.

Total current assets increased by \$96,141 to \$860,291 during 2013, due primarily to an additional \$36,022 of taxes paid under protest during 2013 and increased cash reserve to cover returned taxpayer checks.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts:

- Management's discussion and analysis
- Basic financial statements
- Supplementary information

The basic financial statements include all of the funds of the Commission. All of the funds of the Commission can be grouped into one category, fiduciary funds, which are used to account for resources, held for the benefit of outside parties, such as other governments. The Commission used its fund to account for sales taxes, which it collects for Sabine Parish governments.

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

CONDENSED STATEMENT OF FIDUCIARY NET POSITION

	2013	2012
Total current assets	<u>\$ 860,291</u>	<u>\$ 764,150</u>
Accounts payable	6,358	10,809
Protested tax payments	777,900	741,878
Due to taxing bodies	<u>76,033</u>	<u>11,463</u>
Total liabilities	<u>\$ 860,291</u>	<u>\$ 764,150</u>
Net position	<u>\$ -</u>	<u>\$ -</u>

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

Changes in Due to Taxing Bodies

	2013	2012
Taxes Collected	<u>\$18,995,775</u>	<u>\$26,528,853</u>
Distributions:		
School Board	8,875,623	12,861,000
Police Jury	3,550,096	5,144,071
Town of Many	1,224,894	1,326,848
Town of Zwolle	617,037	551,642
Village of Converse	80,773	92,590
Village of Florien	146,764	161,928
Village of Pleasant Hill	55,289	97,507
Sabine Parish Law District	2,662,601	3,858,100
Sabine Parish Tourist Commission	157,697	142,021
District Attorney	446,739	645,910
Sabine Council on Aging	887,486	1,285,960
Commission operating expenses	<u>226,206</u>	<u>401,909</u>
Total Distributions and Expenses	<u>18,931,205</u>	<u>26,569,486</u>
Increase (decrease) in due to taxing bodies	<u>\$ 64,570</u>	<u>\$ (40,633)</u>

The Commission's operating expenses in 2013 comprised 1.53% of the taxes collected. The decrease in operating expenses in 2013 relates primarily to decreased personnel and outside auditing costs.

ECONOMIC FACTORS

The Commission has no current knowledge of any economic conditions that could have significant adverse affects on sales tax collections or operating expenses during 2014, other than the current continued depressed state of the nation's economy and further decreased oil and gas drilling activity in the parish in 2014. Collections during the first five months of 2014 were down \$777,895, or 9.4%, from the corresponding period in 2013.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Lindy Strahan, Administrator, 670 San Antonio Avenue, Many, LA 71449.

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2013

ASSETS

Cash	\$ 81,702
Cash-restricted	777,900
Prepaid expenses	<u>689</u>
Total assets	<u>\$ 860,291</u>

LIABILITIES

Accounts payable	\$ 6,358
Protested tax payments	777,900
Due to taxing bodies and others	<u>76,033</u>
Total liabilities	<u>\$ 860,291</u>
Net position	<u>\$ -</u>

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

(1) Introduction

The Sabine Parish Sales and Use Tax Commission (Commission), Many, Louisiana, was created on June 30, 1992 by the political subdivisions within Sabine Parish for the joint collection, enforcement, and administration of the sales and use taxes levied by these subdivisions. The Commission is managed by a Board of Commissioners composed of: two members appointed by the Sabine Parish Police Jury, two members appointed by the Sabine Parish School Board, one member appointed by the Town of Many, one member appointed by the Town of Zwolle, one member appointed by the Village of Florien, one member appointed by the Village of Pleasant Hill, and one member at large jointly appointed by the other eight commissioners.

The costs of establishing and operating the Commission are shared jointly by the taxing bodies on a pro-rata basis based on the ratio that the taxes collected for each bears to the total taxes collected.

(2) Summary of significant accounting policies

Reporting entity

For financial reporting purposes, the Commission includes all funds that are within the oversight responsibility of the Commission.

Basis of presentation

Fiduciary Fund Type

Fiduciary Fund - This fund is used to account for assets held by the Commission in a trustee capacity or as an agent for the taxing authorities.

Basis of accounting

The accounting and reporting policies of the Commission conform with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements constitutes GAAP for governmental entities. The accounting and reporting policies of the Commission conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the Louisiana Governmental Audit Guide.

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(2) Pending litigation

The Commission is not involved in any litigation at December 31, 2013, other than litigation involving taxpayer collection efforts and protested tax payments. During 2008, the Commission received \$249,422 of assessed taxes paid under protest for which subsequent suit was filed by the taxpayer against the Commission. Taxes paid under protest in 2010, 2011 and 2012 amounted to \$492,456. During 2013, the Commission received an additional \$36,022 of taxes paid under protest for which suits were filed by the taxpayers against the Commission. As of December 31, 2013 these suits were pending. In addition to the \$777,900 of protested taxes, the Commission has received refund requests amounting to \$1,775,065, which have been denied and are presently in dispute.

(3) Compensated absences

All employees earn 5 - 20 days of annual vacation leave per year depending on length of service with the Commission. Such leave is credited on a pro rata basis at the end of each payroll reporting period and accumulates. No more than 10 days can be carried forward to the next year. Annual leave is paid upon termination of employment.

(4) Personnel costs

The Commission's employees are paid by the Sabine Parish Police Jury (Jury) and the Jury is reimbursed by the Commission for the related payroll costs, including fringe benefits.

Substantially all employees of the Commission are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer, public employee retirement system, administered by a board of trustees. Employees of the Commission are members of Plan A. Pertinent information relative to the plan follows:

Plan description - The System is composed of two plans, A and B. Ten years of service is required to become vested for retirement benefits, which are established and amended by state statute. The System issues publicly available financial reports that include financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, P O Box 14619, Baton Rouge, LA 70898-4619, or by calling 504-928-1361.

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Funding Policy - Plan A members are required to contribute 9.5 percent of their annual covered salary and the Commission is required to contribute at an actuarially determined rate, which is currently 16 percent of annual covered payroll. The Commission's employer contributions to the System, as provided by state law, is funded by the State of Louisiana through annual appropriations, by deductions from local ad valorem taxes, and by remittances from the Commission.

The Commission's contributions to the System for the years ended December 31, 2013, 2012, and 2011 were \$10,461, \$12,188, and \$10,962, respectively, which equal the required contributions for each year.

(5) Compensation of commissioners

The commissioners' compensation or per diem during the year ended December 31, 2013 as follows:

I. D. Bostian	\$ 1,400
Bobby Williams	450
Glenn Arnold	350
Georgia Jett	500
Buddy Veuleman	300
Gloria Ruffin	1,200
Donald Remedies	400
G. J. Martinez	250
Jim House	500
Gay Corley	250

(6) Taxes paid under protest

The Commission has several suits filed against it involving taxes paid under protest. The balance of taxes paid under protest (including interest) at December 31, 2013 was \$777,900.

(7) Changes in Agency Fund Deposits due Others

A summary of changes in agency fund deposits due others for 2013 follow:

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Balance, beginning of year					<u>\$ 11,463</u>
	Sales Tax Rate	Collections	Collection Costs	Distributions	
School Board	2.000%	9,020,156	144,533	8,875,623	
Police Jury	1.000%	3,607,908	57,812	3,550,096	
Town of Many	1.000%	1,237,514	12,620	1,224,894	
Town of Zwolle	2.000%	623,176	6,139	617,037	
Village of Converse	1.000%	81,738	965	80,773	
Village of Florien	1.000%	148,295	1,531	146,764	
Village of Pleasant Hill	1.000%	55,849	560	55,289	
Sabine Parish Law District	0.750%	2,705,960	43,359	2,662,601	
Sabine Parish Tourist Commission	3.000%	159,246	1,549	157,697	
District Attorney	0.125%	453,995	7,256	446,739	
Sabine Council on Aging	0.250%	901,938	14,452	887,486	
		<u>18,995,775</u>	<u>290,776</u>	<u>18,704,999</u>	290,776
Commission operating expenses					<u>(226,206)</u>
Balance, end of year					<u>\$ 76,033</u>

(8) Cash

Louisiana Revised Statutes authorize the Commission to invest in United States bonds, treasury notes or certificates, time certificates of deposit, or any other federally insured investment.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Cash consists of both non-interest and interest bearing bank accounts with area financial institutions. At year end, non-interest bearing demand deposit accounts at the bank were insured in full by the Federal Deposit Insurance Corporation (FDIC). Interest bearing accounts, amounting to \$777,900, were insured by the FDIC up to \$250,000 per institution. Banks are required by R.S. 49:321 to pledge security for deposits in excess of FDIC coverage. There was \$1,100,000 of pledged securities available to cover the deposit amount in excess of the FDIC insurance amount at December 31, 2013. Louisiana revised statutes requires the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Commission that the pledging bank has failed to pay deposited funds upon demand. At year end, the Commission was not exposed to custodial credit risk.

Cash at year end in the amount of \$777,900 is restricted for taxes paid under protest.

Eugene W. Fremaux II

Certified Public Accountant

P. O. Box 134 270 Marthaville Road

Many, Louisiana 71449

318-256-0332

FAX 318-256-0389

fremaux@bellsouth.net

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Sabine Parish Sales and
Use Tax Commission
Many, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Sabine Parish Sales and Use Tax Commission Sabine Parish Sales and Use Tax Commission, Many, Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of



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my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended purpose of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read 'Eugene W. Fremaux II', with a stylized flourish at the end.

EUGENE W. FREMAUX II, CPA
June 27, 2014

SABINE PARISH SALES AND USE TAX COMMISSION
SCHEDULE OF FINDINGS
DECEMBER 31, 2013

Current year

None

Prior year

None